
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Transportation and Capital Improvements Department
Henry B. Gonzalez Convention Center Expansion Contingency Funds

Project No. AU15-029

March 29, 2016

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Transportation and Capital Improvements (TCI) Department, specifically, the Henry B. Gonzalez Convention Center (HBGCC) contingency funds. The audit objectives, conclusions, and recommendations follow:

Are the HBGCC expansion project contingency funds being managed and used appropriately?

Yes, the HBGCC expansion project contingency funds are being managed and used appropriately. The HBGCC project team and Hunt-Zachry had adequate controls in place to ensure contingency funds expenditures were appropriately used for unforeseen issues, properly supported and approved. Overall, no issues were identified within the Design/Build, Shared and Owner contingency funds.

We make no recommendations to TCI; consequently, no management responses are required. Management's acknowledgment of these results is in Appendix B on page 6.

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Background

In September 2012, City Council awarded Hunt-Zachary with a Design/Build contract, not to exceed \$304.8 million, for the design and construction of the HBGCC expansion project. The total project budget is \$325 million of which \$304.8 million is for design and construction, \$12.2 million is for the program document, permitting fees, surveys and City staff salaries and \$8 million is for staff augmentation. The project timeline is scheduled to start October 2012 and completion is due in July 2016.

As part of the Design/Build contract, contingency funds were established to ensure funds were available for unforeseen circumstances that may occur throughout the project. This includes both a Design/Build (D/B) controlled contingency and a joint Owner and Design/Build controlled contingency (Shared Contingency). The D/B Contingency was setup in the amount of \$14,000,000 and is for Hunt-Zachry's exclusive use to cover costs that are part of the cost of construction work and are not the basis for a change order. The shared contingency was setup in the amount of \$3,264,000 with funds being shared and approved for use by both Hunt-Zachry and the City. Finally, a third contingency fund, the Owners contingency, was set up in the amount of \$3,500,000 and is part of the Transportation and Capital Improvements budget. This contingency is used only by the City's project team for any matters related to the expansion project.

The contingency funds were a predetermined amount of the contract held for unpredictable changes in the project. The contract provides for contingencies to pay for unknown conditions such as price escalation of a product; design changes in scope or errors and omissions; or necessary construction changes that are realized on site during construction. The use of the Shared Contingency was approved by both the City's project team and Hunt/Zachry. The D/B contingency use is dictated in the contract with oversight by the City's project team.

Audit Scope and Methodology

The audit scope included the review of contingency funds transactions from the inception of the HBGCC project through June 2015. We identified and reviewed three contingency funds; the Shared contingency, Design/Build (D/B) contingency and the Owner contingency.

We interviewed staff from the project team to obtain an understanding of each contingency fund and the specific use as it relates to the HBGCC project. Additionally, we interviewed the project director and project manager from Hunt-Zachry to obtain an understanding of the Design/Build contingency and the specific controls setup to monitor the use and budget.

We reviewed the controls in place to ensure contingency funds are used for construction services related to the HBGCC project. Additionally, we reviewed support documentation to verify contingency expenditures were accurate. Each contingency fund test varied depending on the number of transactions and approval process in place.

The D/B contingency fund included a population of 338 expenditure transactions valued at approximately \$12.5M. Of the 338 transactions, we tested total of 50 transactions totaling \$5,029,558. We reviewed for adequate support documentation for each transaction to verify the expenditure was appropriate, accurate and properly approved. In addition, we reviewed all the expenditures related to the use of contingency funds to repair the Lila Cockrell that was damaged during construction. The expenditures totaled approximately \$1.5M.

We reviewed all 37 transactions valued at \$652,897 from the shared contingency fund. The 37 transactions consisted of 32 expenditures valued at \$1,429,245 and 5 credits valued at \$776,348. The 32 expenditure transactions included lump sum and field directive change orders. For lump sum change order, we reviewed proposals and the corresponding support documentation. These lump sum change orders are sent out for bid at which time only an estimate of costs is known. A field directive change orders, we reviewed actual invoices for the expenditure. Field directive change orders occur after the construction work has been completed due to their emergency nature and actual invoices are maintained as support. We reviewed all 37 transactions to verify they were appropriate, accurate and properly approved.

The owner contingency fund included 13 transactions valued at \$3.2M. We reviewed all 13 transactions for appropriateness and proper approval.

Testing criteria included the signed contract between Hunt-Zachry and the City of San Antonio and the corresponding City ordinance that approved the contract.

We relied on computer-processed data in SAP and PrimeLink. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included vouching PrimeLink invoice amounts to adequate support documentation. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

A. Contingency Fund Expenditures

The HBGCC Project Management (PM) team, in collaboration with Hunt-Zachry had adequate controls in place to ensure contingency funds were appropriate, supported and approved.

We tested 50 transactions totaling \$5,029,558 from the Design/Build contingency fund and verified they were appropriately used for construction services, adequately supported and properly approved.

We tested 32 expenditure transactions totaling \$1,429,245 from the Shared contingency fund and verified they were appropriately used for construction services, adequately supported and properly approved.

We tested 13 transactions totaling \$3,200,000 from the Owner contingency fund and verified they were appropriately related to the HGBCC project development, adequately supported and properly approved.

Recommendation

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Lorenzo Garza, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 4, 2016

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Transportation and Capital Improvements Department's Henry B. Gonzalez Convention Center Expansion Contingency Funds

Transportation and Capital Improvements (TCI) has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required. TCI would like to thank the Office of the City Auditor for their time and professionalism.

Transportation and Capital Improvements Department:


☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,


Mike Frisbie, P.E.
City Engineer / Director
Transportation and Capital Improvements

3-3-16
Date


Peter Zanoni
Deputy City Manager
City Manager's Office

3-3-16
Date